

Essentials of
Services Marketing
3rd Edition



2 Consumer Behavior **IN A SERVICES CONTEXT**

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Learning Objectives

2.1 Understand the three-stage model of service consumption.

2.2 Use the multi-attribute model to understand how consumers evaluate and choose between alternative service offerings.

2.3 Learn why consumers often have difficulty evaluating services, especially those with many experience and credence attributes.

2.4 Know the perceived risks customers face in purchasing services and the strategies

Learning Objectives

2.5 Understand how customers form service expectations and the components of these expectations.

2.6 Know the “moment of truth” metaphor.

2.7 Contrast how customers experience and evaluate high- versus low-contact services.

2.8 Be familiar with the servuction model and understand the interactions that together create the service experience.

Learning Objectives

2.9 Obtain insights from viewing the service encounter as a form of theater.

2.10 Know how role, script, and perceived control theories contribute to a better understanding of service encounters.

2.11 Describe how customers evaluate services and what determines their satisfaction.

2.12 Understand service quality, its dimensions and measurement, and how quality relates to customer loyalty.

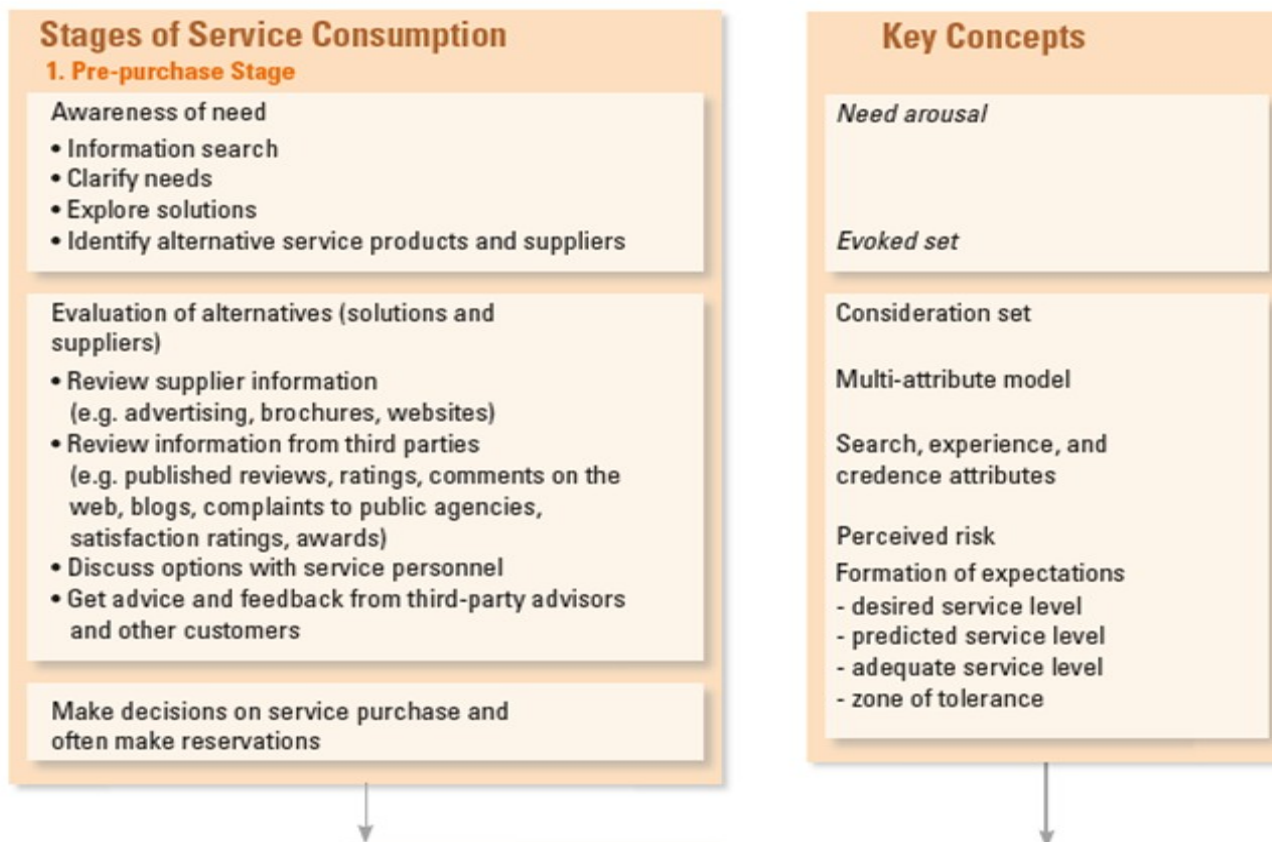
Consumer Behavior in a Services Context

2.1

Understand the three-stage
model of service
consumption.

The three-stage model of service consumption

- Overview



The three-stage model of service consumption

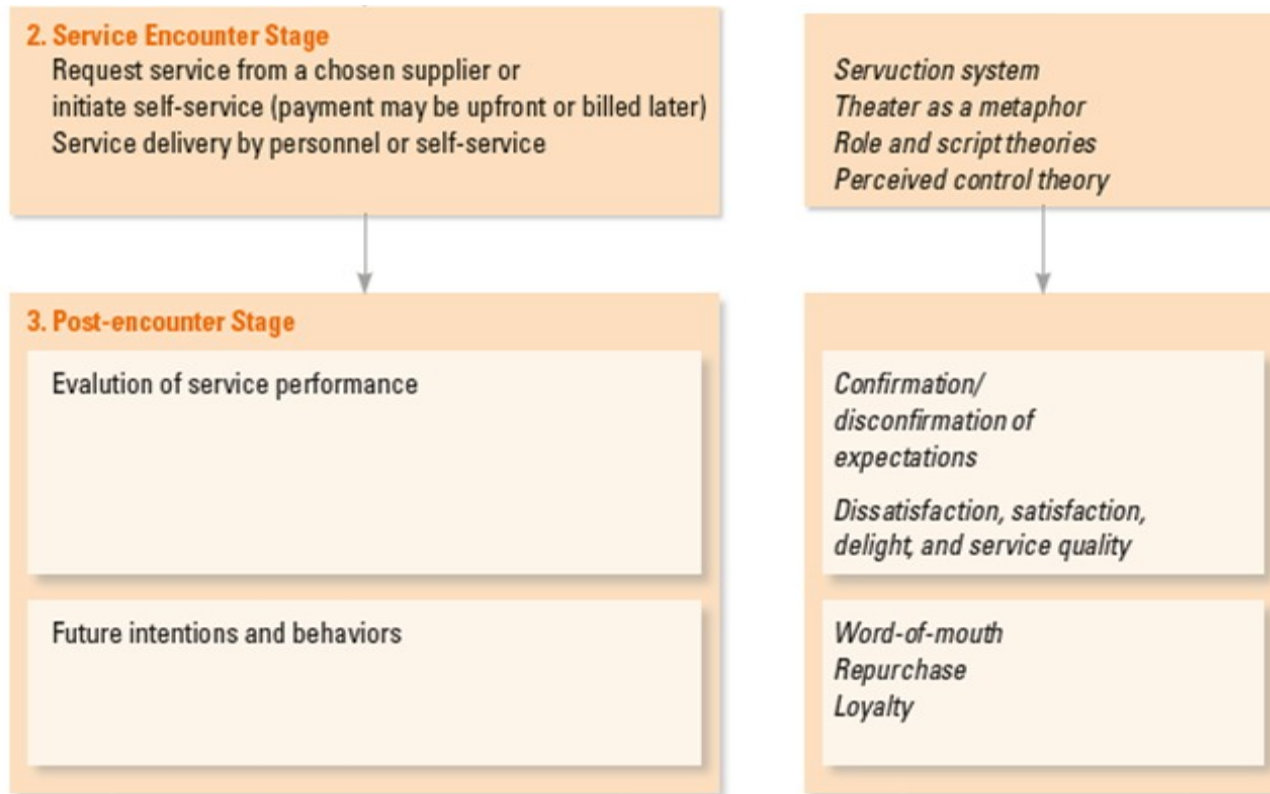


Figure 2.3 The three-stage model of service consumption.

The three-stage model of service consumption

- Need awareness
- Information search
- Evaluation of alternatives
 - Multi-attribute model
 - Service attributes
 - Perceived risk
 - Service expectations
- Purchase decision



The three-stage model of service consumption

Need Awareness

- A service purchase is triggered by an underlying need (need arousal)
- Needs may be due to:
 - People's unconscious minds (e.g., aspirations)
 - Physical conditions (e.g., chronic back pain)
 - External sources (e.g., marketing activities)
- When a need is recognized, people are likely to take action



The three-stage model of service consumption

Information Search

- When a need is recognized, people will search for solutions.
- Several alternatives may come to mind, and these form the evoked set
 - Evoked set: set of possible services or brands that a customer may consider in the decision process
- When there is an evoked set, the different alternatives need to be evaluated before a final choice is made



Consumer Behavior in a Services Context

2.2

- Use the multi-attribute model to understand how consumers evaluate and choose between alternative service offerings.

The Multi-attribute Model

Table 2.1 Modeling consumer choice—Susan Munro’s multiattribute model for choosing a dry cleaner.

	Current Dry Cleaner	Campus Dry Cleaner	New Dry Cleaner	Importance Weight
Quality of Dry Cleaning	9	10	10	30%
Convenience of Location	10	8	9	25%
Price	8	10	8	20%
Opening Hours	6	10	9	10%
Reliability of On-time Delivery	2	9	9	5%
Friendliness of Staff	2	8	8	5%
Design of Shop	2	7	8	5%
Total Score	7.7	9.2	9.0	100%

Consumer Behavior in a Services Context

2.3

Learn why consumers often have difficulty evaluating services, especially those with many experience and credence attributes.

Service Attributes

- Search attributes help customers evaluate a product before purchase
- Experience attributes cannot be evaluated before purchase—must “experience” product to know it
 - Vacations, sporting events, medical procedures
- Credence attributes are product characteristics that customers find impossible to confidently even after purchase and consumption
 - Quality of repair and maintenance work



Consumer Behavior in a Services Context

2.4

Know the perceived risks customers face in purchasing services and the strategies firms can use to reduce consumer risk perceptions.

Perceived Risks

- *Functional*—unsatisfactory performance outcomes
- *Financial*—monetary loss or unexpected extra costs
- *Temporal*—wasted time or delays leading to problems
- *Physical*—personal injury or damage to possessions
- *Psychological*—fears and negative emotions
- *Social*—how others may think and react
- *Sensory*—unwanted impact on any of the five senses



Perceived Risks

How Do Consumers Handle Them?

- Seeking information from respected personal sources
- Using Internet to compare service offerings and search for independent reviews and ratings
- Relying on a firm that has a good reputation
- Looking for guarantees and warranties
- Visiting service facilities or trying aspects of service before purchasing
- Asking knowledgeable employees

Perceived Risks

Strategies for Firms to Manage Consumer Perceptions of Risk

- Preview service through brochures, websites, videos
- Encourage visit to service facilities before purchase
- Free trial experience
- Attribution
- Advertising



Perceived Risks

Strategies for Firms to Manage Consumer Perceptions of Risk

- Display credentials
- Use evidence management (e.g., furnishing, equipment etc)
- Give customers online access to information about order status
- Offer guarantees



Consumer Behavior in a Services Context

2.5

Understand how customers form service expectations and the components of these expectations.

Service Expectations

- Customers evaluate service quality by comparing what they expect against what they perceive
 - Situational and personal factors also considered
- Expectations of good service vary from one business to another, and differently positioned service providers in same industry
- Expectations change over time

Service Expectations

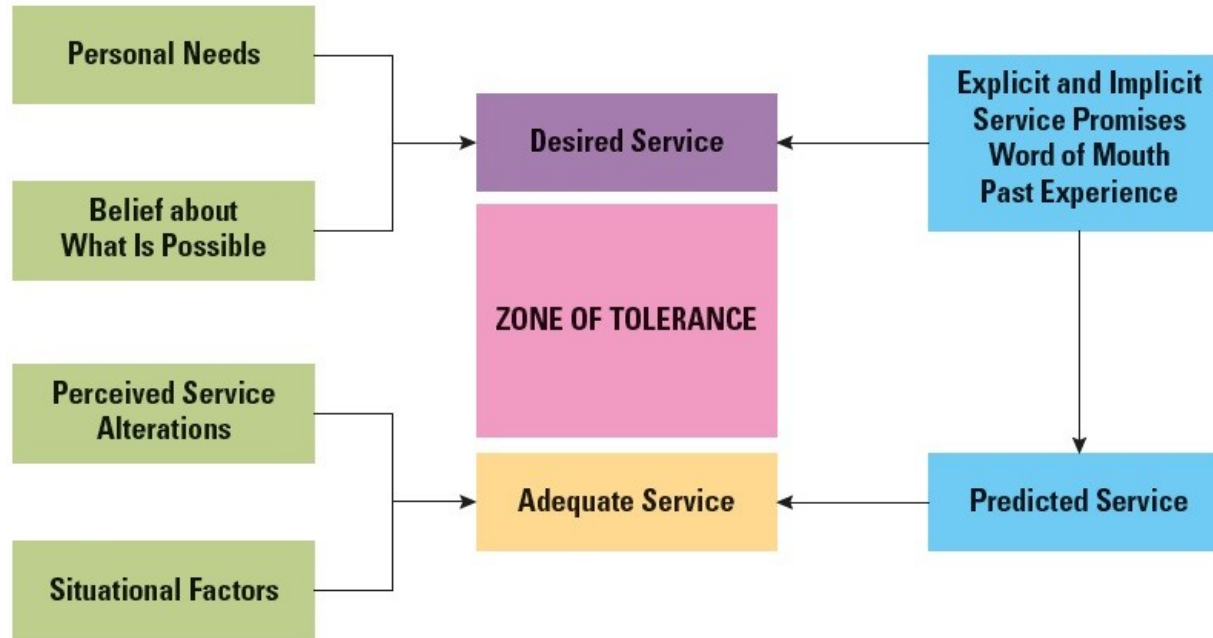


Figure 2.11 Factors influencing customer expectations from the service.

SOURCE

From Valarie A. Zeithaml, Leonard L. Berry and A. Parasuraman, "The Nature and Determinants of Customer Expectations of Service," *Journal of the Academy of Marketing Science*. Springer 1993, pp. 1–12.

Service Expectations

Components of Customer Expectations

- Desired Service Level:
 - Wished-for level of service quality that customer believes can and should be delivered
- Adequate Service Level
 - Minimum acceptable level of service



Service Expectations

Components of Customer Expectations

- Predicted Service Level:
 - Service level that customer believes firm will actually deliver
- Zone of Tolerance:
 - Range within which customers are willing to accept variations in service delivery



Service Expectations

Purchase Decision

- When possible alternatives have been compared and evaluated, the best option is selected
- Can be quite simple if perceived risks are low and alternatives are clear
- Very often, trade-offs are involved. The more complex the decision, the more trade-offs need to be made
- Price is often a key factor in the purchase decision

Consumer Behavior in a Services Context

2.6

Know the “moment of truth” metaphor.

Moments of truth

- The “moment of truth” is when the customer directly interacts with the service firm.
- It involves the skills, motivation and tools employed by the firm to prove to the customer that they are the best alternative for them.



Consumer Behavior in a Services Context

2.7

Contrast how customers experience and evaluate high- versus low-contact services.

High- versus low-contact services

- Service Encounters Range from High-contact to Low-contact

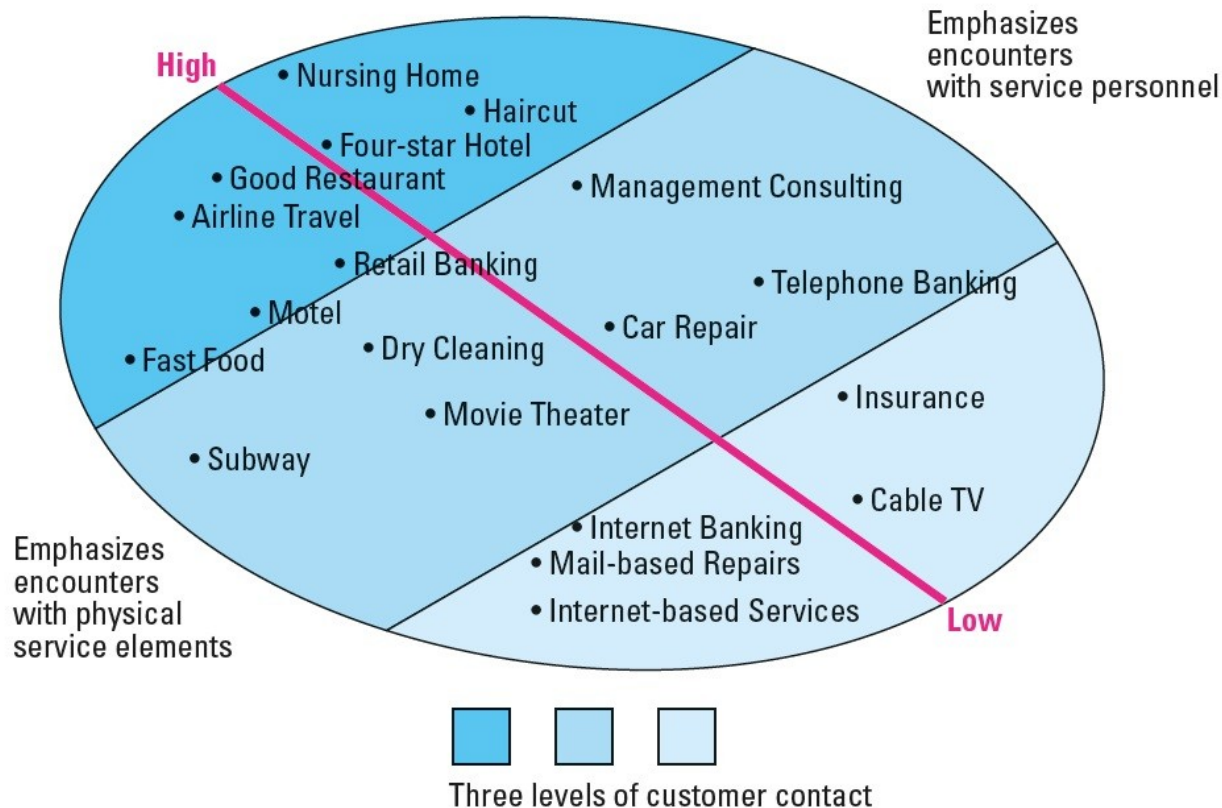


Figure 2.15 Levels of customer contact with service firms.

High- versus low-contact services

- High-contact Services
 - Customers visit service facility and remain throughout service delivery
 - Active contact between customers and service personnel
 - Includes most people-processing services
- Low-contact Services
 - Little or no physical contact with service personnel
 - Contact usually at arm's length through electronic or physical distribution channels
 - New technologies (e.g. Web) help reduce contact levels
- Medium-contact services lie in between these two

Consumer Behavior in a Services Context

2.8

- Be familiar with the servuction model and understand the interactions that together create the service experience.

The Servuction System

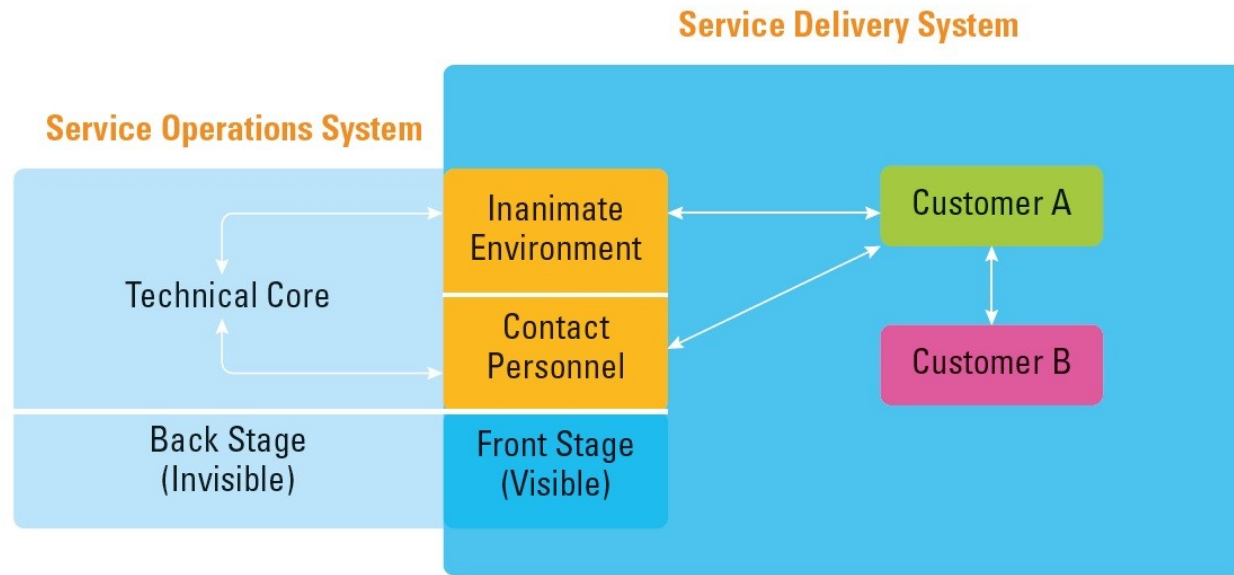


Figure 2.17 The servuction system.

SOURCE

Adapted and Expanded from an original concept by Eric Langeard and Pierre Eiglier, "Services as Systems: Marketing Implications," in Pierre Eiglier, Eric Langeard, Christopher H. Lovelock, John E. G. Bateson, and Robert F. Young (eds.), *Marketing Consumer Services: New Insights* (Cambridge, MA: Marketing Science Institute, Report 77-115, November 1977): 83-103.

The Servuction System

- Visible front stage and invisible backstage
- Service Operations system
 - Technical core where inputs are processed and service elements created, usually backstage
 - Includes facilities, equipment, and personnel
- Service Delivery System (front stage)
 - Where “final assembly” of service elements takes place and service is delivered to customers
 - Includes customer interactions with

Consumer Behavior in a Services Context

2.9

Obtain insights from viewing
the service encounter as a
form of theatre.

Theatrical Metaphor

- Good metaphor as service delivery is a series of events that customers experience as a performance
- Service facilities
 - Stage on which drama unfolds
 - This may change from one act to another
- Personnel
 - Front stage personnel are like members of a cast
 - Backstage personnel are support production team



Consumer Behavior in a Services Context

2.10

Know how role, script, and perceived control theories contribute to a better understanding of service encounters.

Role, script, and perceived control theories

- Roles
 - Like actors, employees have roles to play and behave in specific ways
- Scripts
 - Specifies the sequences of behavior for customers and employees



Role, script, and perceived control theories

- Behavioral control
 - Allows the customer to change the service situation by asking the firm to customize its typical offerings
- Decisional control
 - The customer can choose between two or more standardized options without changing either option
- Cognitive control
 - Exercised when the customer understands why something is happening and knows what will happen next

Consumer Behavior in a Services Context

2.11

Describe how customers evaluate services and what determines their satisfaction.

How customers evaluate services and what determines their satisfaction

- Expectancy-disconfirmation model of satisfaction.



Figure 2.22 The expectancy-disconfirmation model of satisfaction.

SOURCE

Based on Richard L. Oliver and M.E. Sharpe, *Satisfaction: A Behavioral Perspective on the Consumer*. 2nd ed., 2010, p. 120, © Jochen Wirtz.

How customers evaluate services and what determines their satisfaction

Customer Satisfaction Is Central to the Marketing Concept

- Satisfaction defined as attitude-like judgment following a service purchase or series of service interactions
- Customers have expectations prior to consumption, observe service performance, compare it to expectations
- Satisfaction judgments are based on this comparison
 - Positive disconfirmation if better than expected
 - Confirmation if same as expected
 - Negative disconfirmation if worse than expected

Consumer Behavior in a Services Context

2.12

- Understand service quality, its dimensions and measurement, and how quality relates to customer loyalty.

Understand service quality

- Service quality is *the high standard of performance that consistently meets or exceeds customer expectations*.
- Customer satisfaction and service quality are determined by comparing customer expectations with their performance perceptions.
 - Satisfaction is an evaluation of a single consumption experience
 - Service quality refers to relatively stable attitudes and beliefs about a firm
- Transaction quality and attribute satisfaction are also transaction specific and determine overall



Understand service quality

- 10 dimensions used by consumers in evaluating service quality

Table 2.3 Generic dimensions used by customers to evaluate service quality.

Dimensions of Service Quality	Definition	Sample Illustrations
Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials	Are the hotel's facilities attractive? Is my accountant dressed appropriately? Is my bank statement easy to understand?
Reliability	Ability to perform the promised service dependably and accurately	Does my lawyer call me back when promised? Is my telephone bill free of errors? Is my TV repaired right the first time?
Responsiveness	Willingness to help customers and provide prompt service	When there is a problem, does the firm resolve it quickly? Is my stockbroker willing to answer my questions? Is the cable TV company willing to give me a specific time when the installer will show up?
Assurance • Credibility	Trustworthiness, believability, honesty of the service provider	Does the hospital have a good reputation? Does my stockbroker refrain from pressuring me to trade? Does the repair firm guarantee its work?
• Security	Freedom from danger, risk, or doubt	Is it safe for me to use the bank's ATMs at night? Is my credit card protected against unauthorized use? Can I be sure that my insurance policy provides complete coverage?

Understand service quality

Table 2.3

Dimensions of Service Quality	Definition	Sample Illustrations
Competence	Possession of the skills and knowledge required to perform the service	Can the bank teller process my transaction without fumbling around? Can my health insurance obtain the information I need when I call? Does the dentist appear to be competent?
Courtesy	Politeness, respect, consideration, and friendliness of contact personnel	Does the flight attendant have a pleasant demeanor? Are the telephone operators consistently polite when answering my calls? Does the plumber take off muddy shoes before stepping on my carpet?
Empathy Access	Approachability and ease of contact	How easy is it for me to talk to a supervisor when I have a problem? Does the airline have a 24-hour, toll-free phone number? Is the hotel conveniently located?
Communication	Listening to customers and keeping them informed in the language they can understand	When I have a complaint, is the manager willing to listen to me? Does my doctor avoid using technical jargon? Does the electrician call when he or she is unable to keep a scheduled appointment?
Understanding the customer	Making the effort to know customers and their needs	Does someone in the hotel recognize me as a regular guest? Does my financial advisor try to determine my specific financial objectives? Is the moving company willing to accommodate my schedule?

Thank You.